

Motor Vehicle Self-Insurance

Follow-up Report

Final Report • April 27, 2017



Ed Quatrevaux, Inspector General

April 27, 2017

Re: Motor Vehicle Self-Insurance Follow-up Report

I certify that the inspector general personnel assigned to this project are free of personal or other external impairments to independence.



E.R. Quatrevaux
Inspector General

TABLE OF CONTENTS

Executive Summary	v
I. Objectives, Scope, and Methods.....	1
II. Introduction.....	3
III. Follow-up on Recommendations	4
Contract Management	5
Recommendation 1: The City should perform claims administration in house or negotiate a significant reduction in the contract cost.	5
Follow-up 1: The City continued to use an outside contractor for TPA services but began the process of hiring an in-house adjuster to perform automobile claims administration.	5
Recommendation 2: The City should avoid redundancy in contracts.	6
Follow-up 2: The City eliminated redundancy in contracts for first-party appraisal services.	6
Recommendation 3: The City should ensure that all active contracts include complete terms.	7
Follow-up 3: The City's recent contracts for TPA services included complete terms.	7
Recommendation 4: The City should not permit contractors to work for the City under the terms of an expired contract.	7
Recommendation 5: The City should have a signed contract in place before allowing a contractor to begin work.	8
Follow-up 4: The City allowed its current TPA contractor to continue working under the terms of an expired contract.	8
Follow-up 5: The City did not change TPA contractors during the scope during the scope period reviewed for this follow-up.	8
Fleet Risk Management	9
Recommendation 6: The City should adopt a vehicle use policy modeled after the State of Louisiana's Driver Safety Program.	9
Follow-up 6: The City incorporated components of the State of Louisiana's Driver Safety Program into the most recent version of the vehicle use policy.	9

Recommendation 7:	The City should perform annual drivers' record checks of all employees authorized to drive city vehicles...	13
Follow-up 7:	The City did not perform annual drivers' record checks of all employees authorized to drive city vehicles.....	13
Recommendation 8:	The City should consider employees' on-the-job driving records when identifying high-risk drivers...	15
Follow-up 8:	The Risk Manager set criteria for identifying high-risk drivers and used data from third-party crashes to send each department a list identifying high-risk drivers.....	15
Recommendation 9:	The City should implement a defensive driving training program.	16
Follow-up 9:	The City updated its vehicle use policy to require employees who drove city vehicles to complete a driver safety training course. Departments and the EMD collected certificates from employees who successfully completed the course.....	16
Recommendation 10:	The City should improve oversight of personal insurance requirements.	18
Follow-up 10:	In 2016 the City began asking departments to confirm employees with take-home vehicles had a non-owned vehicle endorsement on their personal insurance, but compliance was minimal because many employees could not obtain the appropriate insurance rider.	19
Management of Costs and Reserves		20
Recommendation 11:	The City should maintain reserves for the motor vehicle self-insurance program.....	20
Follow-up 11:	The City did not create a reserve fund for the vehicle self-insurance program and paid liability settlements as they occurred.....	21
IV.	Conclusion	22
Appendix: A.....		25

LIST OF FIGURES

Figure 1.	Risk Management procedures in the December 2016 Vehicle and Equipment Use Policy - CAO Memo 5(R)	12
Figure 2.	The City Risk Manager instructing Department of Sanitation employees on defensive driving.....	18
Figure 3.	Summary of Follow-up Findings.....	24
Figure 4.	Grounds for Restricting Driving Privileges – CAO Memo 5(R), December 2016	25

The Office of Inspector General conducted a follow-up to its October 2012 report, “Evaluation of City Motor Vehicle Self-Insurance Program and Vehicle Use Policy.” Evaluators focused on two major areas of the City’s motor vehicle self-insurance program: contract management and fleet risk management (driver selection, training, and supervision). The original report included the following findings.

- The City’s contract for claims administration cost at least \$100,000 per year more than it would cost to do the same work in house.
- The City did not effectively manage the contracting process for third-party claims administration services.
- The City paid a claims administrator \$90,960 over 29 months for services already covered in an existing contract.
- The City did not adequately monitor employees’ official driving records or on-the-job driving safety records, nor did it set standards for denial of driving privileges.
- The City did not require safety training for all drivers.
- The City did not adequately ensure that employees complied with insurance requirements for take-home vehicles.

The OIG made 11 recommendations to address these and other deficiencies identified during the course of the original evaluation.

The objective of this follow-up report was to determine the extent to which the City implemented OIG recommendations. Overall, evaluators found the City made a number of improvements to its motor vehicle self-insurance program, including changes to its vehicle and equipment use policy. However, as some of these policy changes occurred during the course of this follow-up, evaluators were unable to determine in all instances if the City’s changes would result in the elimination of deficiencies identified in the original report. Evaluators identified the following findings during the course of this follow-up:

- The City began the process of hiring an in-house adjuster for automobile claims, and planned to fill the position.
- The City resolved several of the issues related to contract management when it signed a contract with a new-third party claims administrator in 2012.

- The contracts signed in 2012 contained complete terms and eliminated redundancies related to first-party appraisals.
- The City revised the vehicle use policy, CAO Memo 5(R), three times throughout 2016 and incorporated components of the State of Louisiana’s Driver Safety Program.
- The Risk Manager implemented a defensive driving training course, and used drivers’ on-the-job crash data to identify high-risk drivers.
- The City required departments to report whether or not employees had obtained an endorsement on their personal insurance for take-home vehicles (“non-owned vehicle endorsement”), but did not implement any enforcement mechanisms to ensure that the drivers of take-home vehicles complied with this policy.¹
- The City did not perform annual reviews of employees’ official driving records maintained by the Louisiana Office of Motor Vehicles.²

The long-term success of these efforts will depend on the City’s ability to establish clear lines of authority, develop a database of electronic records, share information across departments, and enforce policy requirements.

¹ Successful implementation of this recommendation may have been difficult because some insurance providers in Louisiana were not willing to write non-owned vehicle insurance endorsements for city take-home vehicles. The City needs to determine the potential cost of providing employees in public safety agencies with a waiver for this requirement and craft a policy for all employees that limits the personal use of city vehicles.

² The City revised the vehicle use policy to restrict the driving privileges of employees with a suspended license or multiple driving infractions. However, the City required employees to self-report any license suspension, major crashes, or severe driving violations. Relying on self-reporting increased the likelihood that employees would neglect to report accurate information to their supervisor or departmental vehicle coordinator.

I. OBJECTIVES, SCOPE, AND METHODS

The Office of Inspector General of the City of New Orleans (OIG) conducted a follow-up to its “Evaluation of City Motor Vehicle Self-Insurance Program and Vehicle Use Policy” (October 2012).³ The objective of this follow-up was to determine whether the City implemented OIG recommendations for improvements to the motor vehicle self-insurance program.

The scope of this follow-up report included all aspects of the City’s motor vehicle self-insurance program. Evaluators also reviewed changes made to the City’s vehicle use policy from 2012 to 2016.

Evaluators interviewed city personnel and representatives of the City’s Third Party Automobile Claims Administrator. Evaluators also reviewed information obtained pursuant to Sections 2-1120(12) and (20) of the Code of the City of New Orleans and La. R.S. 33:9613. Specifically, evaluators reviewed the following records:

- city vehicle use policies (2010–2016);
- city budget documents, lists of high-risk drivers, and driver training requirements (2016);
- driver policy manuals and accident review documentation for departments with separate vehicle use policies including the New Orleans Police Department (NOPD) and New Orleans Emergency Medical Services (EMS);
- requests for proposals (RFPs) for third-party automobile claims administration (TPA) services, TPA service contracts, and contract renewals (2011–2016);
- invoices for TPA services and payment records for third-party automobile claims, including subrogation recovery (2015); and
- invoices for vehicle appraisals and damage estimates for city-owned vehicles (2015).

³ The OIG postponed this follow-up report due to leadership changes in the Risk Management Department between 2012 and 2014. The Risk Manager who led the department during the period reviewed in the original report departed the City in May 2012 and was replaced by an interim Risk Manager until August 2013. The City then hired a permanent Risk Manager who began working for the City in June 2014.

This follow-up was conducted in accordance with *Principles and Standards for Offices of Inspector General for Inspections, Evaluations and Reviews*.⁴

⁴ Association of Inspectors General, "Quality Standards for Inspections, Evaluations, and Reviews by Offices of Inspector General," *Principles and Standards for Offices of Inspector General* (New York: Association of Inspectors General, 2014), <http://inspectorsgeneral.org/files/2014/11/AIG-Principles-and-Standards-May-2014-Revision-2.pdf>.

II. INTRODUCTION

The Office of Inspector General (OIG) conducted a follow-up to its October 2012 report “Evaluation of City Motor Vehicle Self-Insurance Program and Vehicle Use Policy.” The original report included the following findings:

- The City’s contract for claims administration cost at least \$100,000 per year more than it would cost to do the same work in house.
- The City paid a claims administrator \$90,960 over 29 months for services already covered in an existing contract.
- The City did not effectively manage the contracting process for third-party claims administration services.
- The City did not adequately monitor employees’ official driving records or on-the-job driving safety records, nor did it set standards for denial of driving privileges.
- The City did not require safety training for all drivers.
- The City did not ensure compliance with insurance requirements for employees with take-home vehicles.

Evaluators made 11 recommendations to address these and other deficiencies found during the course of the evaluation.

The purpose of this follow-up was to determine the extent to which the City implemented recommendations from the original report.⁵ In addition, evaluators sought to determine whether deficiencies identified in the original report still existed.

The OIG staff was greatly assisted in the preparation of this report by the full cooperation of city officials and the third-party claims administrator.

⁵ The City’s written response to the original report addressed the report’s findings but did not explicitly state whether the City accepted or rejected the OIG’s recommendations. Evaluators included relevant excerpts from the City’s response letter to provide context for this follow-up.

III. FOLLOW-UP ON RECOMMENDATIONS

The City continued to self-insure its vehicle fleet rather than purchase commercial insurance and transfer financial risks associated with vehicle use to an insurance company.⁶ As a result, the City was required to pay liabilities stemming from crashes, including third-party property damage and bodily injury claims. The City was also responsible for damage to its fleet and employee injuries sustained as a result of on-the-job crashes. Effective motor vehicle self-insurance programs are designed to minimize these risks through careful selection, training, and supervision of employees authorized to operate vehicles.

In 2015 the City self-insured 1,855 vehicles worth more than \$60 million.⁷ According to data provided by city departments, employees were involved in 383 crashes in 2015.⁸ These crashes resulted in 322 third-party claims including bodily injury, property damage, and subrogation.⁹ The City paid over \$429,000 to third parties to settle these claims and recovered almost \$138,000 from third parties through subrogation.¹⁰

The original report examined two major areas of the City's motor vehicle self-insurance program: contract management and fleet risk management. The City did not begin addressing many of the deficiencies related to fleet risk management until evaluators began this follow-up in May 2016. Nonetheless, evaluators found that the City made improvements to its motor vehicle self-

⁶ There were two exceptions to the City's self-insured approach: the City carried commercial insurance policies on 11 vehicles leased by the City Council and two mobile dental clinics operated by the Health Department.

⁷ For further discussion of vehicle inventory and valuation see: City of New Orleans Office of Inspector General, *Fleet Management* (New Orleans, LA: City of New Orleans Office of Inspector General, 2016), accessed March 3, 2017, <http://nolaoig.gov/reports/all-reports/fleet-management>.

⁸ The accident data provided to the OIG by department vehicle coordinators included both first-party and third-party crashes.

⁹ A first-party accident (e.g., backing a city vehicle into a city building) would not result in a claim against the City because all costs associated with a first-party accident are the responsibility of the City. A third-party accident (e.g., where a city vehicle rear ends another vehicle at a stop light) could result in multiple claims, one claim for property damage to repair the vehicle and an additional bodily injury claim for each occupant. Subrogation claims for crashes occur when the comparative liability results in a third party paying for repairs to city vehicles.

¹⁰ Data provided by the City's third-party claims administrator listed an additional reserve of \$124,837 for outstanding claims from 2015 that had not yet been settled.

insurance program, but that additional work was needed to ensure these changes are effectively implemented and institutionalized across city government.

CONTRACT MANAGEMENT

Five recommendations in the original report related to contract management for TPA services and vehicle appraisals. Evaluators found the City's TPA contractors performed work without a contract in place, performed work under the terms of an expired contract, and began work before a contract was fully executed. As highlighted in the City's response to the original report, some of these deficiencies were corrected when the City signed a contract with a new TPA contractor at the beginning of 2012.

Recommendation 1: The City should perform claims administration in house or negotiate a significant reduction in the contract cost.

City Response. *"The OIG report's analysis only assumes that the City's contract covers costs for the adjuster and basic software. The analysis does not factor in the cost of other services and necessary administrative support required to perform this work which justifies the price of this contract."*

Follow-up 1: The City continued to use an outside contractor for TPA services but began the process of hiring an in-house adjuster to perform automobile claims administration.

In 2012 the OIG determined the City's decision to outsource claims administration services resulted in inflated costs. The automobile claims administration contract historically cost the City more than \$200,000 per year and provided the services of one full-time claims adjuster. Evaluators estimated the City could save approximately \$100,000 per year if it brought automobile claims adjusting in house.¹¹

¹¹ Evaluators calculated the cost of bringing the TPA services contract in house by using median salary data generated by the U.S. Department of Labor to estimate the cost to the City of a full-time claims adjuster was approximately \$80,000 in salary and benefits. In addition, evaluators obtained three price quotes for leasing hosted claims adjusting programs with two user licenses. The average cost for the software was \$25,000 per year.

In 2012 the City entered into a contract with Hammerman & Gainer, Inc. (HGI) to investigate crashes, collect accident reports and witness statements, adjust claims, and negotiate settlements. Evaluators found that the City continued to obtain TPA services from HGI between 2012 and 2016, and paid an annual flat fee of \$214,000 during this period.¹²

The City's Risk Manager stated he recommended bringing claims administration in house after he was hired in 2014 but noted it took time to obtain the City's approval for the position. At the time of this follow-up, the City had not yet brought automobile claims administration in house but started the process by posting a job advertisement in September 2016. The Risk Manager told evaluators he received applications from multiple candidates and hoped to complete the hiring process by April 30, 2017.

Recommendation 2: The City should avoid redundancy in contracts.

***City Response.** "...we disagree with the report's assertion that the City paid twice for the same services. While the pre-existing contract for claims handling included appraisals, it was limited to third-party appraisals and never included first party appraisals."*

Follow-up 2: The City eliminated redundancy in contracts for first-party appraisal services.

In the original report, evaluators found the City's Risk Management Department ("Risk Management") and Equipment Maintenance Division (EMD) did not effectively coordinate contracts for first-party appraisal services.¹³ The City's previous TPA administrator Rosenbush Claims LLC, provided the City with claims administration services from 1988 through 2011. Personnel from Rosenbush stated first-party appraisals were included in the original contract for TPA services.¹⁴ Representatives from both the City and Rosenbush stated first-party appraisal services were subsequently split off from the TPA contract, but the City did not reduce the flat fee paid for TPA services. In June 2009 the EMD entered

¹² In 2016 the City renewed HGI's contract at a pro-rated cost of \$178,333 for 10 months of service. After the expiration of the contract extension, the City continued paying HGI on a month-to-month basis while negotiating another contract extension.

¹³ Evaluators determined the City paid Rosenbush approximately \$90,000 for first-party appraisals that should have been covered by the flat fee paid for claims administration services.

¹⁴ Neither Rosenbush nor the City could produce a copy of a signed contract from 2006 that included the full scope of services.

into a contract with Rosenbush for first-party appraisal services at a cost of \$115 per appraisal.

Rosenbush's contract for first-party appraisals ended after the City signed a contract with HGI as its new TPA contractor in 2012. The scope of services in HGI's contract required HGI to perform only third-party appraisals. As a result, the City did not perform first-party appraisals between 2012 and late-2015.¹⁵ In October 2015 the EMD obtained quotes for first-party appraisals from three vendors. HGI submitted the lowest price and was selected to provide appraisals on an as-needed basis for \$80 per appraisal.¹⁶

Recommendation 3: The City should ensure that all active contracts include complete terms.

The City's response did not directly address this recommendation.

Follow-up 3: The City's recent contracts for TPA services included complete terms.

In 2012 the City could not produce a copy of the August 2006 contract with Rosenbush for TPA services. Despite not having a copy of the contract with complete terms, the City extended the contract 14 times between 2006 and 2011.

During this follow-up, the City's Risk Manager provided evaluators with a copy of the most recent TPA contract from 2012 and a contract extension from May 2016.¹⁷ These contracts between the City and HGI included complete terms and scopes of services.

Recommendation 4: The City should not permit contractors to work for the City under the terms of an expired contract.

City Response. "When the Landrieu administration took office, it found that the contract had expired in 2009 and had not been competitively procured since 1988. Accordingly, the Landrieu administration

¹⁵ An EMD employee stated the City did not have funds to fix vehicles between 2012 and 2015, so paying for first-party appraisals would have been a waste of money.

¹⁶ The EMD provided evaluators with documentation showing they obtained 14 first-party appraisals in 2015.

¹⁷ Contract extensions and supporting documentation were available on the City's web-based purchasing portal for services provided between 2012 and 2015.

reprocured the services through a new RFP once it was determined that it could not perform the services more efficiently in-house. ... [W]e could not gauge exactly when the new procurement would be finalized, which resulted in additional amendments.

Recommendation 5: The City should have a signed contract in place before allowing a contractor to begin work.

City Response. *While the City continues to strive to have contracts in place and fully executed before work begins, exceptions sometimes occur. The Louisiana Attorney General has stated “that contracts become effective only when they receive all required approvals, but that effectiveness is retroactive to the beginning of the terms for the contract specified in the contract itself. This view simply confirms what has been a long-term, wide spread and indispensable practice in state government.” La. Atty. Gen. Op. No. 87-576.*

Follow-up 4: The City allowed its current TPA contractor to continue working under the terms of an expired contract.

Follow-up 5: The City did not change TPA contractors during the scope during the scope period reviewed for this follow-up.

In 2012 evaluators found the City allowed TPA contractors to continue working under the terms of an expired contract (Finding 4) and to begin work without a contract in place (Finding 5). Evaluators recommended that the City ensure valid contracts are in place for all contractors performing work for the City. In its response, the City cited an opinion by the Louisiana Attorney General that acknowledged the practice of backdating contracts is sometimes unavoidable and therefore allowable.¹⁸ Allowing contractors to provide services without a valid contract increases the likelihood of service disruptions or reduced performance because the City would have limited options in the event of a dispute.

Between 2012 and 2016 the City signed four contract extensions for TPA services and each of these extensions was backdated. On average, HGI continued providing services for an average of 86 days each year without a valid contract in

¹⁸ La. Atty. Gen. Op. No. 87-576.

place.¹⁹ During the course of this evaluation the City continued extending HGI's service contract and did not issue a new RFP for TPA services or enter into a contract with a new TPA.

FLEET RISK MANAGEMENT

OIG recommendations in the original report focused on implementing effective risk mitigation strategies based on industry best practices and policies that were successfully implemented by other government entities. Given the potential for significant financial loss due to a crash, the City should seek to minimize risk by crafting an effective vehicle use policy that requires improved driver selection, training, and supervision.

Recommendation 6: The City should adopt a vehicle use policy modeled after the State of Louisiana's Driver Safety Program.

***City Response.** "We are in the process of revising CAO Policy Memorandum No. 5(R) to accommodate best practices and portions of the State of Louisiana's Driver Safety Program. This revision will include new procedures in the authorization, monitoring and record keeping process."*

Follow-up 6: The City incorporated components of the State of Louisiana's Driver Safety Program into the most recent version of the vehicle use policy.

The City managed automobile risk through the Vehicle and Equipment Use Policy, CAO Policy Memorandum No. 5(R) (CAO Memo 5(R)), which set vehicle operation standards for all city departments.²⁰ CAO Memo 5(R) established a decentralized approach to fleet risk management; individual departments and vehicle coordinators were responsible for enforcing the policy's requirements.

¹⁹ During the last quarter of 2016, HGI continued working for the City under a "month-to-month" agreement based on the terms of a contract extension that expired on September 30, 2016. The City's Risk Manager stated there was delay in extending the TPA contract at the end of 2016 due to uncertainty about when claims administration would be moved in house.

²⁰ CAO Memo 5(R) allowed departments flexibility to create and enforce their own vehicle use policy if it met the minimum requirements outlined in CAO Memo 5(R). For example, public safety departments such as the NOPD had vehicle use policies with additional requirements beyond those listed in CAO Memo 5(R).

In 2012 evaluators found the City's vehicle use policy did not effectively manage fleet risk and increased the City's exposure to liabilities and damages from vehicle crashes. Evaluators recommended that the City model its vehicle use policy after the policy adopted by the State of Louisiana. In response to the OIG's findings, the City stated a forthcoming update to CAO Memo 5(R) would include provisions to address vehicle risk based on the State's vehicle use policy.

However, the City did not make revisions to CAO Memo 5(R) until 2016, nearly four years after the release of the original report. The City issued three revisions to CAO Memo 5(R) throughout 2016, and the most recent version was distributed to departments and outside agencies in December 2016.²¹

The City's revisions to CAO Memo 5(R) included several new provisions that addressed vehicle risk. Each department or appointing authority was responsible for granting driving privileges to employees. These privileges were subject to revocation based on an employee's driving record and other standards outlined in the vehicle use policy.²² The updated policy specified which individuals, departments, and entities were responsible for enforcing these new provisions. Although Risk Management and the EMD collected information on authorized drivers and vehicle crashes, most record keeping and policy enforcement was decentralized and delegated to departments.

The OIG's 2016 review of the City's fleet management program found the practice of delegating responsibility for vehicle operations to departments resulted in unenforced policies, reducing accountability among city employees.²³ Because this same decentralized model was used to manage vehicle risk, similar problems could emerge if employees were not adequately trained, information was not shared between departments, or policies were not consistently enforced.

Issues related to record keeping and information sharing could be resolved with a centralized fleet management information system to track and monitor

²¹ CAO Memo 5(R) was updated in May, July, and December of 2016. The May 2016 revision focused on fleet management and fueling procedures but did not address fleet risk management or incorporate many of the changes recommended in the original 2012 report.

²² Departments were required to maintain a list of employees who had received prior approval to drive city vehicles, and department vehicle coordinators were required to submit this list of authorized drivers to the EMD twice a year.

²³ Office of Inspector General, *Fleet Management*, 46.

compliance with the City's revised vehicle use policy. The City began procuring software in response to the OIG's report on fleet management and selected a vendor in September 2016.²⁴ The system selected by the City included an optional module that could be used to track driver information and help departments manage drivers, but this optional component was not included as part of the final software package purchased by the City.

Figure 1 highlights important policy requirements in the December 2016 update to CAO Memo 5(R) aimed at minimizing the risk associated with the operation of city vehicles.

²⁴ The City was negotiating a contract with AssetWorks at the time of this follow-up report.

Figure 1. Risk Management procedures in the December 2016 Vehicle and Equipment Use Policy - CAO Memo 5(R)

Entity	Responsibility as of December 2016
Departments	<ul style="list-style-type: none"> • Determine which employees are authorized to operate City vehicles and equipment. • Apply departmental progressive discipline policy to employees or vehicle coordinators who are not complying with any part of CAO Memo 5(R). • Obtain a list of employees/operators with on-the-job vehicle crashes from the Risk Management department. • Require employees with take-home vehicles to have current riders to personal insurance policies that cover take-home vehicles. • Ensure that copies of personal insurance policies are submitted to the appointing authority as they are renewed.
Department Vehicle Coordinators	<ul style="list-style-type: none"> • Maintain a list of employees who are authorized to drive and submit the list biannually to the EMD. • Ensure that each authorized driver documented their completion of a driver safety course.
City Employees	<ul style="list-style-type: none"> • Provide proof that they possess a valid driver's license or required certification to operate city vehicles and equipment. • Immediately report any revocation, suspension, or addition of restrictions to their driver's license or certifications. Employees with take-home vehicles must endorse their current personal automobile insurance policy to cover their take-home vehicle.
EMD	<ul style="list-style-type: none"> • Notify the CAO of failure of departments to comply with the City's Vehicle and Equipment Policy (CAO memo 5(R)).

The vehicle use policy (CAO Memo 5(R)) in place as of December 2016 represented an improvement over the vehicle use policy in place at the time of the original evaluation. The revised policy included components that matched the State's vehicle use policy in the areas of driver selection, training, and monitoring. These components are reviewed in the following sections of the report.

Recommendation 7: The City should perform annual drivers' record checks of all employees authorized to drive city vehicles.

City Response. *"We agree that it is prudent to monitor employee's driving records, set standards for denial of driving privileges, and require driver safety training for that small minority of city drivers who are outside of public safety departments."*

Follow-up 7: The City did not perform annual drivers' record checks of all employees authorized to drive city vehicles.

In 2012 evaluators found the City permitted any employee with a valid driver's license to operate a vehicle. Most departments performed an initial license check when employees were hired but did not perform any subsequent checks to determine if employees still possessed a valid driver's license. City policy did not require departments to check that employees maintained a valid license throughout their employment or review employees' official driving records. Evaluators recommended that the City obtain employees' driving records from the Louisiana Office of Motor Vehicles (OMV), which could be obtained by government entities at no cost.²⁵

The July 2016 version of CAO Memo 5(R) required departments to check employee driving records for specific types of violations upon hire and to perform periodic checks every 24 months.²⁶ The policy instructed departments to contact the NOPD to obtain each authorized drivers' current license status and record of moving violations.

After discussing the implementation of drivers' license checks with the NOPD, the Risk Manager and Director of Innovation determined the use of officers to check employee driving records would place an excessive burden on NOPD personnel. Instead, the City began drafting procedures to allow departmental vehicle coordinators to check driving records using information maintained by the State OMV.

The City created a web-based consent form that would have enabled the City to obtain employee consent and access driving records. However, procedures to

²⁵ La. R.S. 32:393.1

²⁶ See Appendix A for a list of driving infractions that are grounds for restricting driving privileges.

obtain employees driving records were never implemented, and the requirement to conduct driving record checks was removed from the December 2016 version of CAO Memo 5(R). Despite the online permission form, the Director of Innovation stated that the provisions that required departments to examine employees' driving records were removed due to privacy concerns related to the Drivers' Privacy Protection Act. (18 U.S. Code § 2721). In addition, City representatives expressed concerns about the additional administrative burden that checking OMV driving records would place on departments and vehicle coordinators.²⁷ While privacy requirements do present some challenges to implementation, these concerns could be addressed through a carefully crafted vehicle use policy and the appropriate training of departmental vehicle coordinators.

Instead of proactively performing OMV driving record checks, the City's most recent policy specified that employees should provide proof to their department that they possess a valid license. Additionally, the policy required drivers to report the suspension or revocation of their drivers' license, as well as major traffic violations listed in CAO Memo 5(R).²⁸

City representatives stated they believed the self-reporting requirements should produce the same results as conducting official driving record checks through the OMV. Since the employee self-report provisions were added during the course of this follow-up, evaluators were unable to determine if employees and departments complied with these requirements.

Regular and proactive checks of employee driving records through the OMV provide the most accurate information on employees' driving history. The City's self-reporting approach increases the likelihood that employees will neglect to report license suspensions or serious driving violations to their supervisor or departmental vehicle coordinator, thereby increasing the City's potential liability in the event of a crash.

²⁷ City representatives claimed that reading individual driving records provided by the OMV could be difficult. The City provided evaluators with a sample copy of an OMV driving record as well as a document from the Michigan Secretary of State that detailed how to interpret information found on a driving record.

²⁸ See Appendix A for a list of infractions that are grounds for the revocation of employee driving privileges.

Recommendation 8: The City should consider employees’ on-the-job driving records when identifying high-risk drivers.

City Response. *“We agree that it is prudent to monitor employees’ driving records, set standards for denial of driving privileges, and require driver safety training for that small minority of city drivers who are outside of public safety departments.”*

Follow-up 8: The Risk Manager set criteria for identifying high-risk drivers and used data from third-party crashes to send each department a list identifying high-risk drivers.

In 2012 evaluators found the City did not require departments or Risk Management to track on-the-job vehicle crashes or identify high-risk drivers. Some departments including the NOPD, NOFD, and EMS had internal mechanisms to track employees’ driving performance and discipline employees after a crash.²⁹ Alternatively, some city departments did not track driver performance, had no records of crashes, and did not discipline employees who had been in crashes. Evaluators recommended that the City identify high-risk drivers and revoke the driving privileges granted to these employees.

In July 2016 the City’s Risk Manager sent departments a list of high-risk drivers that he identified using third-party accident records provided by HGI.³⁰ The Risk Manager identified high-risk drivers as drivers that were “involved in multiple (more than one) at-fault accidents or at-fault collisions with stationary vehicles, buildings, or high property damage values.” The Risk Manager also asked each department to report corrective actions taken to address concerns identified with high-risk drivers.

The City waited until the OIG began conducting this follow-up before establishing procedures to use employees’ on-the-job driving records to identify high-risk

²⁹ The majority of the City’s drivers were employed by the NOPD, NOFD, and EMS. Each department had formal policies and procedures to track crashes and employee compliance with training standards. These departments also had official accident review procedures that meted out discipline including reprimands, suspensions, and remedial training.

³⁰ HGI only created claims records for crashes that involved a third party and was not responsible for tracking first-party crashes. City departments generated over 380 first- and third-party accident reports in 2015. HGI provided evaluators with 156 claims records for third-party property damage, 84 claims for third-party bodily injury, and 82 records for subrogation claims.

drivers. Although the City implemented the OIG's recommendation, the procedures used to identify high-risk drivers require better crash reporting and record keeping procedures in order to be effective.³¹ Since data used to identify high-risk drivers were based on third-party crashes, it was possible for employees with multiple first-party crashes (e.g., backing a vehicle into a city building) to be absent from the list of high-risk drivers.

The December 2016 revision of CAO Memo 5(R) included improved crash reporting procedures. The accident reporting procedures specified that copies of crash reports should be shared among individual departments, Risk Management, and the EMD. In the last quarter of 2016, the City established a centralized phone number and email address for reporting crashes that allowed all relevant parties and individuals to access accident reports. According to the Risk Manager, the process of tracking crashes should improve further once the City hires an in-house automobile claims adjuster.

Recommendation 9: The City should implement a defensive driving training program.

City Response. *"[T]he City is investigating options to install the most beneficial and cost effective Operation Risk Management online driver safety program for the non-public safety drivers."*

Follow-up 9: The City updated its vehicle use policy to require employees who drove city vehicles to complete a driver safety training course. Departments and the EMD collected certificates from employees who successfully completed the course.

In 2012 evaluators found that the City did not require employees who drove city vehicles to complete a driver safety training course. Public safety departments such as the NOPD, NOFD, EMS, and the New Orleans Department of Homeland

³¹ Between 2012 and 2016, the City did not have procedures in place to track all vehicle crashes centrally. While city departments, HGI, Risk Management, and the EMD all shared information related to third-party crashes, accident reports for first-party crashes were not consistently shared among all relevant parties. The City could accurately gauge the cost associated with third-party crashes, but it was not possible to estimate costs associated with first-party crashes accurately or obtain an accurate count of first-party crashes. Some departments and employees did not report every accident in a timely manner and the Risk Manager stated it was possible for some crashes to go unreported.

Security and Emergency Preparedness required driver training as part of their regular training regimen. Most other departments did not require driver safety training for their employees.³² Evaluators recommended that the City certify some employees as defensive driving instructors and phase in defensive driver training classes over a three-year period.

In 2016 the City revised CAO Memo 5(R) and included a provision that required all non-public safety employees who operated city vehicles to complete a driver safety course approved by the Risk Manager. The City elected to use an online defensive driver training course developed for state employees. In July 2016 the Risk Manager sent an email instructing employees who drive city vehicles to complete the online driver safety course.³³ The Risk Manager held in-person driver training workshops for some departments, including the Department of Sanitation and the Department of Parks and Parkways. All other employees were instructed to complete the online course and provide printed copies of their completion certificates to their departmental vehicle coordinator, who then forwarded copies of the certificates to the EMD and Risk Management.

³² In response to the original report, the City noted that NOPD, NOFD, and EMS vehicles accounted for nearly 70 percent of City vehicles and 90 percent of City drivers, therefore, the vast majority of drivers received driver training.

³³ Employees of the NOPD, NOFD, EMS, and Homeland Security were exempt from taking the online driver safety training since employees in these departments were required to complete agency-specific driver training classes. The training provided to first responders by public-safety agencies was based on national standards and compliance could be verified through systems to track employee training. Civilian employees in these departments were required to complete the online driver safety training.

Figure 2. The City Risk Manager instructing Department of Sanitation employees on defensive driving



At the time of this follow-up, the EMD began collecting copies of completion certificates from departments. Representatives from the EMD and Risk Management agreed that departments were responsible for granting driving privileges to employees and should ensure that authorized drivers completed the online safety course.

Although the City implemented the recommendation, the lack of centralized oversight increased the likelihood that departments would fail to ensure every authorized driver complied with the training requirement. For example, the EMD did not know how many employees should have submitted completion certificates and could not estimate what percent of the City's drivers were in compliance with the training requirement. Regardless, an EMD employee stated he believed the vast majority of the City's authorized drivers completed the course. City representatives noted that while the EMD was responsible for collecting information on each authorized driver from departments, it was not responsible for managing drivers or checking these records for accuracy.

Recommendation 10: The City should improve oversight of personal insurance requirements.

City Response. *"The City agrees that it is prudent to monitor personal insurance requirements for employees with take home vehicles. EMD*

and Risk Management are updating their procedures to verify that employees are providing valid proof of insurance on regular intervals.”

Follow-up 10: In 2016 the City began asking departments to confirm employees with take-home vehicles had a non-owned vehicle endorsement on their personal insurance, but compliance was minimal because many employees could not obtain the appropriate insurance rider.

The 2012 version of CAO Memo 5(R) required employees with take-home vehicles to assume liability for off-the-job use of vehicles by obtaining a non-owned vehicle endorsement on their personal insurance policy.³⁴ In the original report, evaluators found there was no centralized oversight to ensure that drivers of city take-home vehicles complied with this requirement. Evaluators recommended that the Risk Manager verify that employees with take-home vehicles possessed the required non-owned vehicle coverage. Additionally, evaluators noted that most public safety employees were not able to obtain the non-owned vehicle endorsement and recommended that the City change CAO Memo 5(R) to exempt public safety employees *if* non-owned coverage was not commercially available.

The vehicle use policies enacted in 2016 included similar insurance requirements to those in place at the time of the original report. According to CAO Memo 5(R), departments were responsible for ensuring that employees with take-home vehicles had the appropriate insurance and providing the Risk Manager with proof that the employees had the required coverage.³⁵ This requirement had been in effect for years but was not tracked or enforced during the scope period reviewed in the original report.

In 2016 the City began collecting information on employee insurance when the EMD asked departments to confirm that employees with take-home vehicles had the appropriate insurance coverage as part of the quarterly vehicle inventory

³⁴ Employees were required to provide copies of their personal insurance policy to their department vehicle coordinators, who were responsible for ensuring that drivers of take-home vehicles had the appropriate endorsements.

³⁵ Departments did not regularly send copies of insurance documents to the Risk Manager. The Risk Manager noted that he would only get copies when there were questions about the insurance coverage.

report.³⁶ Not all departments entered information into this field, and many drivers of take-home vehicles did not obtain the required insurance. Successful implementation of this recommendation may have been difficult because some insurance providers in Louisiana were not willing to write non-owned insurance riders for government vehicles.³⁷

Requiring non-owned coverage for take-home vehicles is an industry best practice designed to limit the City's risk exposure and ensure that employees are covered if they are in a crash while using a city vehicle outside of their scope of work. If non-owned coverage is not commercially available for public safety vehicles, the City needs to determine the potential cost of providing employees in public safety agencies with a waiver for this requirement and craft a policy for all employees that limits the personal use of city vehicles.³⁸

MANAGEMENT OF COSTS AND RESERVES

The City self-insured its vehicle fleet and was directly responsible for paying liability claims that resulted from crashes. Effectively budgeting for third-party liability payments and maintaining a reserve fund to pay for high-cost crashes can decrease instances in which money allocated for other priorities would be used to pay for automobile liabilities.

Recommendation 11: The City should maintain reserves for the motor vehicle self-insurance program.

City Response. *"The City will assess whether an alternative approach to General Fund financing of these costs could offer a better means of providing for these uncertain costs. Given tight General Fund budgets,*

³⁶ The City's Fleet Manager stated that while the EMD collected information on drivers from the departments, this information was only used for record keeping purposes. The EMD requested additional information as part of its vehicle inventory for the second quarter of 2016. The new inventory sheet had a column where departments reported if drivers had the appropriate insurance rider for their take-home vehicle.

³⁷ Additionally, representatives from the NOPD and NOFD reported that it was not possible for employees to get a non-owned automobile insurance endorsement for public-safety vehicles.

³⁸ CAO Memo 5(R) stated that personal use of city vehicles was not covered under the City's self-insurance program. However, the policy permitted employees to perform personal errands unrelated to City business, provided those tasks were "conducted on the way to or from work, were brief nature, and did not detract from an employee's activities as a public servant."

it will be difficult for the City to move to an alternative approach in the near future.”

Follow-up 11: The City did not create a reserve fund for the vehicle self-insurance program and paid liability settlements as they occurred.

In the original report, evaluators found the City did not maintain a reserve fund dedicated to the motor vehicle self-insurance program. The City budgeted for third-party liability settlements based on projected expenses but did not maintain a reserve fund for high-cost crashes. Evaluators recommended that the City examine the cost of the motor vehicle self-insurance program, budget according to an actuarially based average, and place surpluses into a reserve account to cover high-cost crashes.

At the time of this follow-up, the City had not implemented a reserve fund for the motor vehicle self-insurance program. The City did not change its process of budgeting for automobile liability claims and did not implement a dedicated reserve fund to cover high-cost crashes.

In 2012 evaluators provided the City with 11 recommendations to increase the effectiveness of its motor vehicle self-insurance program. Evaluators found the City implemented or partially implemented a majority of these recommendations.

The City resolved several of the issues related to contract management when it signed a contract with a new TPA service provider in 2012. Specifically, the City drafted contracts with complete terms and eliminated redundancies related to first-party appraisals. In addition, the City began the process of hiring an in-house adjuster for automobile claims. Bringing the claims adjusting function in house should generate cost savings and create additional efficiencies through improved communication and coordination with the Risk Manager, the EMD, and departmental vehicle coordinators.

The City did not begin to resolve several deficiencies related to fleet risk management until evaluators began this follow-up report in 2016. Over the course of a single year, the City issued three revisions to its vehicle use policy. The policy in use at the time of this evaluation included several recommended components of the State of Louisiana's Driver Safety Program. Additionally, the Risk Manager implemented a defensive driving training course and improved driver supervision by identifying high-risk drivers using on-the-job crash data. However, the data used to identify high-risk drivers did not include all crashes involving city vehicles and could benefit from better record keeping and crash reporting procedures.

Evaluators found that the City did not perform annual reviews of official driving records maintained by the Louisiana OMV or enforce a long standing requirement that drivers of take-home vehicles carry a non-owned vehicle endorsement on their personal insurance. Procedures for obtaining OMV driving records were developed but were not implemented due to concerns about employee privacy and administrative workload. Implementing this recommendation could provide departments with accurate information so employees with suspended licenses or a history of unsafe driving behavior could be denied driving privileges. Instead, the City began requiring employees to self-report serious driving violations and license suspensions to their supervisor or departmental vehicle coordinator.

Overall, evaluators found the City made improvements to its motor vehicle self-insurance program. But evaluators were unable to assess fully the City's

implementation efforts because the most recent vehicle use policy was not issued until December 2016. The long-term success of these efforts depend on the City's ability to establish clear lines of authority, develop a database of electronic records, share information across departments, and enforce policy requirements.

Figure 3. Summary of Follow-up Findings

Recommendation	Met	Follow-Up
The City should perform claims administration in house or negotiate a significant reduction in the contract cost.	Partial	The City continued to use an outside contractor for TPA services but began the process of hiring an in-house adjuster to perform automobile claims administration.
The City should avoid redundancy in Contracts.	Yes	The City eliminated redundancy in contracts for appraisal services.
The City should ensure that all active contracts include complete terms.	Yes	The City's recent contracts for TPA services included complete terms.
The City should not permit contractors to work for the City under the terms of an expired contract.	No	The City allowed its current TPA contractor to continue working under the terms of an expired contract.
The City should have a signed contract in place before allowing a contractor to begin work.	Yes	The City did not change TPA contractors during the scope during the scope period reviewed for this follow-up
The City should adopt a vehicle use policy modeled after the State of Louisiana's Driver Safety Program.	Yes	The City incorporated components of the State of Louisiana's Driver Safety Program into the most recent version of the vehicle use policy.
The City should perform annual drivers' record checks of all employees authorized to drive City vehicles.	No	The City did not perform annual drivers' record checks of all employees authorized to drive city vehicles.
The City should consider employees' on-the-job driving records when identifying high-risk drivers.	Yes	The Risk Manager set criteria for identifying high-risk drivers and used data from third-party crashes to send each department a list identifying high-risk drivers.
The City Should implement a defensive driving training program.	Yes	The City updated its vehicle use policy to require employees who drove city vehicles to complete a driver safety training course. Departments and the EMD collected certificates from employees who successfully completed the course.
City should improve oversight of personal insurance requirements.	Partial	In 2016 the City began asking departments to confirm employees with take-home vehicles had personal insurance, but compliance was minimal because many employees could not obtain the appropriate insurance rider.
The City should maintain reserves for the motor vehicle self-insurance program.	No	The City did not create a reserve fund for the vehicle self-insurance program and paid liability settlements as they occurred.

Figure 4. Grounds for Restricting Driving Privileges – CAO Memo 5(R),
December 2016

- Speeding over 20 mph
- Unlawful Use of License
- Fraudulent Use of Brake Tag
- No Insurance
- Reckless Operation
- Hit and Run
- Suspended Driver License
- DWI
- Violations of this policy not listed above